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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation

LOK SABHA

The following report of the Joint Committee on the Bill further to amend the Industrial Development Bank of India Act, 1964, the Reserve Bank of India Act, 1934, the Industrial Finance Corporation Act, 1948, the State Financial Corporations Act, 1951, the Life Insurance Corporation Act, 1956 and the Unit Trust of India Act, 1963 was presented to Lok Sabha on the 25th July, 1975:—

COMPOSITION OF THE COMMITTEE

Shri B. N. Kureel—*Chairman*

MEMBERS

Lok Sabha

2. Shri Dinen Bhattacharya
3. Shri Chandulal Chandrakar
4. Shri K. Chikkalingiah
5. Chaudhry Dalip Singh
6. Shri Anadi Charan Das
†7. Shri B. K. Daschowdhury
8. Shri C. T. Dhandapani
9. Shri Jambuwant Dhote
10. Shri Jagdish Chandra Dixit
11. Shri Devinder Singh Garcha
12. Shri Indrajit Gupta
13. Shri Noorul Huda
14. Shri Ramachandran Kadannappalli

15. Shri Robin Kakoti
16. Shri N. S. Kamble
17. Shri Madhu Limaye
*18. Shri K. M. Madhukar
†19. Shri Vikram Mahajan
20. Shri Jagannath Mishra
21. Shri Shrikishan Modi
22. Shri Piloo Mody
23. Shri Surendra Mohanty
24. Shri Pratap Singh Negi
25. Shri Rajaram Dadasaheb Nimbalkar
26. Dr. Laxminarayan Pandeya
27. Shri E. V. Vikhe Patil
28. Shri M. S. Purty
29. Ch. Ram Prakash
30. Shri Ram Swarup
31. Shri M. S. Sanjeevi Rao
32. Shri M. Ram Gopal Reddy
33. Dr. Govind Das Richariya
34. Shri Babu Nath Singh
35. Shri Somchand Solanki
36. Shri K. Suryanarayana
37. Shri T. V. Chandrashekharappa Veerabasappa
38. Shri N. R. Vekaria
39. Shri Sukhdeo Prasad Verma
%40. Shri C. Subramaniam

Rajya Sabha

41. Shri K. B. Chettri
42. Shri Babubhai M. Chinai
43. Shri Bhupesh Gupta
44. Shri Yashpal Kapur
45. Shri M. S. Abdul Khader
46. Shri B. V. Abdulla Koya
47. Shri A. G. Kulkarni

†Appointed w.e.f. 20-11-1974 *vice* Sarvashri K. R. Ganesh and A. K. M. Ishaque resigned.

*Appointed w.e.f. 30-8-1974 *vice* Shrimati Roza Vidyadhar Deshpande resigned.

%Appointed w.e.f. 20-11-1974 *vice* Y. B. Chavan resigned.

48. Shrimati Sumitra G. Kulkarni
49. Dr. K. Mathew Kurian
50. Shri B. N. Mandal
51. Shri Rishi Kumar Mishra
52. Shri Lokanath Misra
53. Shri Deorao S. Patil
54. Shrimati Saraswati Pradhan
55. Shri S. Ranganathan
56. Shri R. Narasimha Reddy
57. Shri Kameshwar Singh
58. Shrimati Maimoona Sultan
59. Shri Subramanian Swamy
60. Shri Gian Chand Totu

LEGISLATIVE COUNSEL

1. Shri S. K. Maitra, *Joint Secretary and Legislative Counsel.*
2. Shri N. L. Vaidyanathan, *Additional Legislative Counsel.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF BANKING)

1. Shri M. G. Balasubramanian, *Additional Secretary.*
2. Shri M. K. Venkatachalam, *Joint Secretary.*
3. Shri V. K. Shunglu, *Deputy Secretary.*
4 Shrimati Nalini M. K. Menon, *Deputy Secretary.*

SECRETARIAT

1. Shri P. K. Patnaik, *Additional Secretary.*
2. Shri Y. Sahai, *Chief Legislative Committee Officer.*

REPORT OF THE JOINT COMMITTEE

I, the Chairman of the Joint Committee to which the Bill* further to amend the Industrial Development Bank of India Act, 1964, the Reserve Bank of India Act, 1934, the Industrial Finance Corporation Act, 1948, the State Financial Corporations Act, 1951, the Life Insurance Corporation Act, 1956 and the Unit Trust of India Act, 1963 was referred, having been authorised to submit the report on their behalf, present their report with the Bill, as amended by the Committee annexed thereto.

2. The Bill was introduced in Lok Sabha on the 22nd December, 1973. A motion for suspension of the first proviso to Rule 74 of the Rules of Procedure and Conduct of Business in Lok Sabha in its application to the motion for reference of the Bill to a Joint Committee of the Houses was moved in Lok Sabha by Shri K. R. Ganesh, the then Minister of State in the Ministry of Finance on the 25th March, 1974 and was adopted.

Thereafter, the motion for reference of the Bill to a Joint Committee of the Houses was moved in Lok Sabha by Shri K. R. Ganesh, the then Minister of State in the Ministry of Finance on the same day and was adopted.

3. Rajya Sabha concurred in the said motion on the 11th May, 1974.

4. The message from the Rajya Sabha was published in Lok Sabha Bulletin—Part II, dated the 13th May, 1974.

5 The Committee held 23 sittings in all.

6. The first sitting of the Committee was held on the 6th June, 1974 to draw up their programme of work. The Committee decided to invite memoranda from all State Governments, leading Chambers of Commerce and Industry, Public Financial Institutions, Employees Associations of Public Financial Institutions, eminent economists and co-operative organisations interested in the subject matter of the Bill and also decided to issue a Press Communique in this behalf fixing 10th July, 1974 as the last date for receipt of memoranda. The Committee also decided to take oral evidence of the representatives of some of the associations, individuals, etc.

7. 25 memoranda on the Bill were received by the Committee from various associations, organisations, etc.

8. The Committee heard oral evidence given by the representatives of various associations, organisations, etc. at their sittings held from the 15th to 17th July, 25th to 27th September, 21st to 23rd October, 1974, 5th to 7th February and 16th April, 1975.

9. At their sitting held on the 10th June, 1975, the Committee decided that (i) the evidence tendered before them might be laid on the Table of both the Houses; and (ii) two copies each of memoranda received by

*Published in the Gazette of India Extraordinary, Part II, Section 2, dated the 22nd December, 1973.

the Committee from various associations, organisations, etc. might be placed in the Parliament Library after the report of the Committee was presented, for reference by the Members of the Parliament.

10. The Report of the Committee was to be presented by the 26th July, 1974. The Committee were granted extension of time twice—the first extension on the 23rd July, 1974 upto the 21st February, 1975 and the second extension on the 19th February, 1975 upto the 28th July, 1975.

11. At their sittings held on the 9th and 10th June, 1975 the Committee held general discussion on the various points raised in the memoranda submitted to the Committee and also during the course of evidence tendered before the Committee.

12. The Committee considered the Bill clause-by-clause at their sittings held on the 19th and 20th June and 11th July, 1975.

13. The Committee considered and adopted their Report on the 19th July, 1975.

14. The observations of Committee with regard to the principal changes proposed in the Bill are detailed in the succeeding paragraphs.

15. *Clause* 2.—The Committee are of the view that the Industrial Development Bank of India which would be the principal financial institution in the country and the other financial institutions should deploy their resources in accordance with national priorities.

Clause 2 has been amended accordingly.

16. *Clauses* 5: 19: 20: 39: [*Original clause* 37]; 48: [*Original clause* 44]; 56 [*Original clause* 51]; *and* 58 [*Original clause* 53]; The amendments made are of a formal nature, being consequential to the change of the year.

17. *Clause* 7.—(i) The amendment made in Paragraph (c) of subsection (1) of proposed section 6 is of a consequential nature.

(ii) New section 6 (1) (c) (iii).—The Committee are of the opinion that two directors of the Development Bank should be from amongst the employees of the Development Bank and the financial institutions. Out of these directors, one shall be selected from amongst the officer employees and the other shall be selected from amongst the workmen, and such selection shall be made in the manner prescribed by the Central Government.

New section 6 (1) (c) (iii) has been inserted accordingly.

(iii) Proposed new section 6(1) (c) (v).—The Committee are of the view that for the words "practical experience", the words "professional experience" may be substituted.

The Committee are also of the view that special knowledge of, and the professional experience in, "marketing" should also be one of the qualifications for eligibility for being nominated as members of the Board of Directors of the Development Bank.

Proposed new section 6(1)(c)(v) has been amended accordingly.

18. *Clause* 17.—The amendments made are of a verbal nature.

19. *New clause* 21.—The Committee are of the view that the Industrial Finance Corporation Act, 1948 might also extend to Kohima and Mokokchung districts in the State of Nagaland from such date as the Central Government may, by notification in the Official Gazette, appoint.

New clause 21 has been inserted accordingly.

20. *Clause* 22 (*Original clause* 21).—The amendment made is of a drafting nature.

21. *New clause* 23.—The Committee on Subordinate Legislation of Lok Sabha have recommended that rules and regulations made under various enactments should statutorily by published in the official Gazette.

The Committee on Subordinate Legislation of both Houses of Parliament have also approved a revised model clause for the laying, before Parliament, of rules, etc. made by the Central Government under Central Acts.

New clause 23 has been inserted with a view to amending section 42 of the Industrial Finance Corporation Act, 1948 in order to give effect to the above recommendations of the Committee on Subordinate Legislation.

22. *New clauses* 41 *and* 53.—New clauses 41 and 53 seek to insert new section 6A in the Life Insurance Corporation Act, 1956 and new section 19A in the Unit Trust of India Act, 1963, respectively. Both the sections seek to empower the Corporation or the Unit to impose conditions necessary to protect their interests and for ensuring that the accommodations granted by them are put to the best use by the concerns to which such accommodation had been granted. Further, they provide that where any arrangement is entered into by the Corporation or the Unit Trust with any assisted concern providing for the appointment by either of them, of one or more directors, the provisions of the Companies Act, 1956, or of any other law shall not apply to such director and that such director shall hold office during the pleasure of the Corporation or the Unit Trust, as the case may be, nominating him and shall not incur any liability for anything done or omitted to be done in good faith in the discharge of his duties as a director and shall not also be liable to retire by rotation. Since the role of the nominated directors is quite different from that of the elected directors, it is necessary to extent the aforesaid legal protections to the nominated directors so that they may function properly as directors of the assisted concerns.

The Committee note that provisions similar to these provisions already exist in the Industrial Development Bank of India Act, 1964, the Industrial Finance Corporation Act, 1948, and the State Financial Corporations Act, 1951, and as such there is no objection, in principle, to the insertion of the proposed new sections.

Accordingly, new section 6A has been inserted in the Life Insurance Corporation Act, 1956, and new section 19A has been inserted in the Unit Trust of India Act, 1963.

23. *New clause* 43.—The Committee on Subordinate Legislation of both Houses of Parliament have approved a revised model clause for the laying, before Parliament, of rules, etc. made by the Central Government under Central Acts. This clause has been inserted with a view to bring section 48 in line with the revised model clause approved by the above-mentioned Committees.

24. *Clause* 1 *and Enacting Formula.*—The amendments made are of a formal nature.

25. The Committee recommend that the Bill, as amended, be passed.

NEW DELHI;
July 25, 1975.
Sravana 3, 1897 (*Saka*).

B. N. KUREEL,
Chairman,
Joint Committee.

MINUTES OF DISSENT

I

The Public Financial Institutions Laws (Amendment) Bill, 1973, as approved by the majority of the Joint Committee, is a retrograde piece of legislation. The proposal to delink Industrial Development Bank of India, Unit Trust of India, Industrial Finance Corporation of India and State Financial Corporations from the Reserve Bank of India and to convert the Industrial Development Bank of India as an apex financial institution, separated from the Reserve Bank of India and functioning as a parallel institution under the administrative control of the Ministry of Finance, Department of Banking, will destroy the very foundations of the credit structure which has been built up during the last two decades.

The main objective of the Bill is to "restructure the Industrial Development Bank of India in certain respects, so as to enlarge its role as the principal financial institution financing industry and for co-ordinating the working of other financial institutions engaged in the financing or promotion or development of industry". It is our contention that the Bill, as amended and approved by the Joint Committee, will fail miserably in achieving the above objective. In fact, the contents of the Bill have very little relation to the actual provisions in the Bill. The statement of objectives, thus, remain as a statement of pious wishes, totally irrelevant to the actual provisions in the Bill. We are surprised to note that the Bill has been approved by the majority in the Committee, rejecting the very weighty and valuable arguments put forward by experts during the tendering of evidence before the Committee. The evidence before the Committee very clearly indicate that the Bill has been misconceived and should therefore be scrapped. The evidence further indicate that there is no valid economic or administrative reason for delinking the Industrial Development Bank of India from the Reserve Bank of India.

The re-constitution of the Industrial Development Bank of India, as proposed in the Bill, will not improve operational efficiency of the Industrial Development Bank of India; nor will it create better machinery for developmental financing better co-ordination of credit operation, etc. The Industrial Development Bank of India from its very inception in 1964 was expected to function as "The principal financial institution for co-ordinating the working of institutions engaged in financing, promoting or developing industry for assisting the development of such institutions". This characterisation of the functions of the Industrial Development Bank of India is nothing new. For, as stated by the then Finance Minister, the late Shri T. T. Krishnamachari, while moving the Industrial Development Bank of India Bill in 1964:—

> "We are envisaging the new Industrial Development Bank of India as the Central Co-ordinating agency which ultimately will be concerned directly or indirectly with all the problems and questions relating to the long and medium term financing of industry".

The organisational changes proposed in the Bill will introduce dichotomy in the credit structure, between long term lending and the short term finance. At present, coordination between long-term lending and short-term credit is attempted to be brought about by the unified control exercised by the Reserve Bank of India which is really the apex of all financial institutions, ensuring the desired integration in the credit structure.

It is generally accepted principle that, in a developing economy the Central Bank should perform not only the traditional role of banker to the bankers, but also perform the development and promotional role in the field of long-term lending. It is this principle which is being negatived by the present Bill.

The Reserve Bank of India has, during the last two decades, initiated steps in promoting both industrial and agricultural finance. The operations of the Reserve Bank are not without blemish. The point at issue, however, is that the decision to integrate short-term and long-term finance under the guidance of the Central Bank, that is, the Reserve Bank of India was a step in the right direction and consistent with the modern notion of Central banking in the context of a developing economy.

The protagonists of the present Bill seem to argue that, though the Reserve Bank of India performed a useful role in the promotion of industrial finance in the past, a stage has now come when industrial financing function should be separated from the Reserve Bank of India. This argument implies that developmental finance is not a core function of the Reserve Bank of India and that they were given the extra responsibilities for nursing a child which has now become adult. The analogy is that industrial finance should now be left free to grow as an independent entity. As pointed out earlier, this argument is a distorted one and negates the fundamental principle that there should be no dichotomy between short-term credit and long-term lending and that the Central Bank, particularly of a developing country, should play the crucial role of integration and co-ordinating both these areas of financing.

The Industrial Development Bank of India was set up in 1964 as a wholly owned subsidiary of the Reserve Bank of India. The Industrial Development Bank of India was to function as the apex of an integrated structure of industrial finance and to provide resources for industrial projects of large size which could not be catered to by the then existing agencies and institutions. Apart from extending medium and long-term finance in the form of direct deployment of funds to industrial units, the Industrial Development Bank of India was also to give refinance facilities to the commercial banks and State Financial Corporations.

It is important to note that a number of institutions were set up during the last two decades in India for meeting the requirements of short-term credit for trade and commerce, medium and long-term investment finance for industry, as well as short, medium and long-term finance for agricultural operations. In the creation of these specialised institutions and in guiding them, the Reserve Bank of India has played a vital role. The direct and indirect control, assistance and guidance of the Reserve Bank has been helpful in ensuring a certain degree of co-ordination and integration of the functions of these specialised institutions.

Even after the present Bill is passed, agricultural finance will continue to remain with the Reserve Bank. Thus, under the new dispensation, the Reserve Bank of India will continue to perform the developmental function in the field of agricultural finance, but will have very little role in the field of industrial finance. This will surely be disastrous to a proper development of the credit infra-structure in the country, apart from the fact that it implies an asymmetry which is irrational and illogical.

The present Bill will introduce a situation where the benefit of professional management under the control and guidance of the Reserve Bank of India will be denied to the IDBI. This will also be contrary to the intention of the framers of the orginal IDBI Bill in 1964. To quote the Finance Minister who moved the Bill in the Rajya Sabha in 1964:—

> "In view of its close association with the Central Bank of the country, the IDBI will be able to draw on the knowledge and experience of that Bank and to obtain in its day-to-day operations, such guidance and assistance as may be necessary".

The IDBI was constituted as a subsidiary of the Reserve Bank of India in consonance with the widely accepted principle that the Central Bank of a developing country should assume special responsibility for the promotion of a sound investment banking structure. Explaining the rationale for making IDBI a fully owned subsidiary of the Reserve Bank of India, the then Finance Minister, the late Shri T. T. Krishnamachari stated in the Lok Sabha thus:—

> "The House will appreciate that the responsibilities which are proposed to be entrusted to the new institution will be onerous and heavy. It is, in a sense, a lender of the last resort for all periods other than purely short-term periods, and for all or practically all purposes, as far as industrial enterprises are concerned. We have considered it desirable in those circumstances, to provide for the ownership and management of the new institution being vested in the Reserve Bank of India".

Apart from the above theoretical and fundamental considerations there are several practical advantages in continuing the present arrangement, that is, the IDBI continuing as a fully-owned subsidiary of the Reserve Bank. Mention has already been made to the availability of the fund of professional management and financial expertise which the Reserve Bank possesses and which will flow to the IDBI as a matter of course. Another distinct advantage arises from the financial dependence of the IDBI on the Reserve Bank. To quote the Annual Report of IDBI for the year 1971-72:—

> "As a result of the discontinuance by the Government of the flow of funds to the IDBI since 1969-70, the main sources of funds for the IDBI in the last three years have been (i) repayment of instalments by borrowers, (ii) borrowings from the Reserve Bank of India out of the National Industrial Credit (Long-term Operations). Fund and increase in paid-up capital, which is wholly contributed by that Bank Borrowings from the LTO Fund have been on an increasing scale during the last three years".

Against these distinct advantages the new Bill gives the definite impression of a futile institutional change. By delinking the IDBI from the Reserve Bank, neither the volume of credit to industry will increase nor will the cost of credit decrease. Thus, there is no economic rationale for the Bill.

The evidence given before the Joint Committee show that certain large industrial houses such as Tatas and Modis had taken interest in the proposal for delinking of IDBI from the Reserve Bank of India, and that Shri Palkhivala had also suggested such a proposal.

The implication is very clear. Some of the monopoly houses feel that the "relative" independence of the Reserve Bank of India, and therefore of the IDBI is an impediment in the free flow of financial resources to the cofers of these monopoly houses. Not that these houses have not benefited from the existing dispensation. Their expectations are that once the IDBI is delinked from the Reserve Bank of India, their ability to corner public funds to bolster their private profits and assets will be enhanced considerably.

It is logical to conclude that once the "relative" independence of the Reserve Bank of India, in directing long-term developmental finance through the IDBI mechanism is taken away and powers handed over to a holding company under the direct control of the Banking Department of the Government of India, it will further strengthen the stranglehold of the monopoly companies on developmental finance in particular and on the economy in general. Delinking of IDBI from the Reserve Bank of India will further encourage the disastrous tendencies of monopoly growth in the country and result in the misuse of resources for non-priority sectors.

In conclusion, it can be asserted that, while the Bill has no economic or administrative rationale behind it, it will have disastrous consequences to the Indian economy arising from the dichotomy between short-term credit and long-term finance, and the definite possibility of higher and easy control by monopoly houses on credit availability. The only logical inference we are able to draw from this otherwise irrational and hasty measure is that the higher officials of the Ministry of Finance, Department of Banking, and the economic power groups are interested in expanding their realm of financial management and control irrespective of the accepted principles of credit policy and planning and economic rationale.

We totally oppose the Bill and reject the conclusions of the Joint Committee. In our opinion, the Bill should be withdrawn.

NEW DELHI; K. MATHEW KURIAN

July 22, 1975. DINEN BHATTACHARYA

II

This Bill, in our opinion, being limited to the question of certain structural changes only in the relationship between the Industrial Development Bank of India and the Reserve Bank of India, begs the main question *viz.* the credit policies of the public financial institutions *vis-a-vis* various sectors of industry and areas of industrial development. The

Bill does not at all venture into any reformulations or redefinitions of Government's basic policies in the matters of financing, promoting and developing industries. To that extent, the Bill is quite inadequate and will have little or no impact on the actual credit map as it has emerged over the years.

Evidence cited before the Joint Committee, more than amply confirmed that the dominant bias in the credit outlook of these financial institutions continues to be in favour, of the big business houses. Thus, the 5 institutions (IDBI, IFCI, LIC, UTI, and ICICI have between them sanctioned loans of over Re. 1 crore each to 253 private companies. The total of such loans amounted to no less than Rs. 837.42 crores on the 31st December, 1974, out of the 253 companies concerned, 80 received loans of more than Rs. 3 crores each. The bulk of the beneficiaries are undertakings attached to one or other of the monopoly houses.

Further, these 5 financial institutions are holding more than 25 per cent of the paid-up capital in each of 129 companies, representing a total investment of Rs. 76.83 crores as on the 31st December, 1974. Equity of the value of Rs. 25 lakhs and over is held by these institutions in each of 70 companies of the monopoly sector. Even a giant like Tata Iron Steel Company has 39 per cent of its equity shares held in this way.

It is this pro-monopoly bias in the credit fall-out from the public financial institutions which calls for review and assessment in the light of the declared national objectives and priorities, and for suitable correction through legislation. In our opinion, the small-scale co-operative, agricultural, marketing and similar sectors are being neglected by the public financial institutions, but all these matters do not come within the purview of the Bill at all.

We had pressed for inclusion of two elected representatives of the workmen employees of the restructured Industrial Development Bank of India to be included as Directors. Ultimately, it has been accepted that there should be one such, but the manner of his nomination/selection has been left to be prescribed. We consider this to be unsatisfactory. There is no reason why elected representatives of the employees should not be on the Directors' Board, as in the case of the nationalised banks, so that they can effectively contribute to the better functioning of the Industrial Development Bank of India in keeping with national priorities.

In the end, we would like to stress that the functioning of the institutions such as Industrial Development Bank of India in the interests of the national economy and for the promotion of truely national-building economic and social objectives cannot be satisfactorily ensured without certain radical structural changes in the industrial sector.

NEW DELHI;
July 22, 1975.

INDRAJIT GUPTA
BHUPESH GUPTA.

Bill No. 108-B of 1973

THE PUBLIC FINANCIAL INSTITUTIONS LAWS (AMENDMENT) BILL, 1973

(AS REPORTED BY THE JOINT COMMITTEE)

A

BILL

further to amend the Industrial Development Bank of India Act, 1964, the Reserve Bank of India Act, 1934, the Industrial Finance Corporation Act, 1948, the State Financial Corporations Act, 1951, the Life Insurance Corporation Act, 1956 and the Unit Trust of India Act, 1963.

BE it enacted by Parliament in the Twenty-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (*1*) This Act may be called the Public Financial Institutions Laws (Amendment) Act, 1975.

(*2*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act; and references in any provision to the commencement of this Act shall be construed as references to the commencement of that provision.

CHAPTER II

AMENDMENTS TO THE INDUSTRIAL DEVELOPMENT BANK OF INDIA ACT, 1964

18 of 1964.

Amendment of the long title.

2. In the Industrial Development Bank of India Act, 1964 (hereinafter in this Chapter referred to as the Development Bank Act), in the long title, after the words "Industrial Development Bank of India", the words "as the principal financial institution for co-ordinating, in conformity with national priorities, the working of institutions engaged in financing, pro-

moting or developing industry, for assisting the development of such institutions" shall be inserted.

Amendment of section 2.

3. In section 2 of the Development Bank Act,—

(*a*) for clause (*c*), the following clause shall be substituted, namely:—

'(c) "industrial concern" means any concern engaged or to be engaged in,—

(*i*) the manufacture, preservation or processing of goods;

(*ii*) shipping;

(*iii*) mining;

(*iv*) the hotel industry;

(*v*) the transport of passengers or goods by road or by water or by air;

(*vi*) the generation or distribution of electricity or any other form of power;

(*vii*) the maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats or trailers or tractors;

(*viii*) assembling, repairing or packing any article with the aid of machinery or power;

(*ix*) the development of any contiguous area of land as an industrial estate;

(*x*) fishing or providing shore facilities for fishing or maintenance thereof;

(*xi*) providing special or technical knowledge or other services for the promotion of industrial growth; or

(*xii*) the research and development of any process or product in relation to any of the matters aforesaid.

Explanation.—The expression "processing of goods" includes any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation.';

(b) after clause (*d*), the following clause shall be inserted, namely:—

'(*da*) "nationalised bank" means a corresponding new bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;'; 5 of 1970

(c) after clause (*g*), the following clauses shall be inserted, namely:—

'(*ga*) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955; 23 of 1955

(*gb*) "subsidiary bank" has the meaning assigned to it in the State Bank of India (Subsidiary Banks) Act, 1959;'; 38 of 1959.

52 of 1963.

(*d*) after clause (*i*), the following clause shall be inserted, namely:—

'(*j*) "Unit Trust" means the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963.',

Amendment of section 2.

4. In section 3 of the Development Bank Act, in sub-section (*3*), for the words "Reserve Bank", the words "Central Government" shall be substituted.

Substitution of new sections for section 4.

5. In the Development Bank Act, for section 4, the following sections shall be substituted, namely:—

Authorised capital

'4. The authorised capital of the Development Bank shall be one hundred crores of rupees:

Provided that the Central Government may, by notification in the Official Gazette, increase the said capital up to two hundred crores of rupees.

Transfer of capital to Central Government.

4A. (*1*) The issued capital of the Development Bank which has been subscribed by the Reserve Bank as on the date immediately preceding the commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975 (hereinafter referred to as the "appointed day"), shall, on such commencement, stand transferred to, and vested in, the Central Government.

(*2*) Any further issue of capital made by the Development Bank after the appointed day shall be wholly subcribed by the Central Government.

Payment of amount.

4B. The Reserve Bank shall be given by the Central Government, in cash, for the transfer to, and vesting in, the Central Government of the issued capital of the Development Bank which has been subscribed by the Reserve Bank, an amount equal to the face value of the said subscribed capital.'.

Amendment of section 5.

6. In section 5 of the Development Bank Act,—

(*a*) for sub-section (*2*), the following sub-section shall be substituted, namely:—

"(*2*) Save as otherwise provided in regulations made under this Act,—

(*a*) the chairman, if he is a whole-time director or if he is holding offices both as the chairman and the managing director, or

(*b*) the managing director, if the chairman is not a whole-time director, or, if the chairman being a whole-time director, is absent,

shall also have powers of general superintendence, direction and management of the affairs and business of the Development Bank and may also exercise all powers and do all acts and things which may be exercised or done by the Development Bank.";

(*b*) after sub-section (*3*), the following sub-section shall be inserted, namely:—

"(*4*) In the discharge of its functions under this Act, the Development Bank shall be guided by such directions in matters

of policy involving public interest as the Central Government may give to it in writing.".

Substitution of new section for section 6.

7. For section 6 of the Development Bank Act, the following section shall be substituted, namely:—

Constitution of Board.

"6. (1) The Board shall consist of the following, namely:—

(a) a chairman and a managing director appointed by the Central Government:

Provided that the same person may be appointed to function both as chairman and as managing director;

(b) a Deputy Governor of the Reserve Bank nominated by that Bank;

(c) not more than twenty directors nominated by the Central Government of whom—

(i) two directors shall be officials of the Central Government;

(ii) not more than five directors shall be from financial institutions;

(iii) two directors shall be from amongst the employees of the Development Bank and the financial institutions, and of such directors, one shall be from amongst the officer employees and the other from amongst the workmen employees, selected in such manner as may be prescribed;

(iv) not more than six directors shall be from the State Bank, the nationalised banks and the State Financial Corporations;

(v) not less than five directors shall be persons who have special knowledge of, and professional experience in, science, technology, economics, industry, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, and professional experience in, which would, in the opinion of the Central Government, be useful to the Development Bank.

(2) The chairman and the managing director shall hold office for such term not exceeding five years as the Central Government may specify in this behalf and any person so appointed shall be eligible for re-appointment.

(3) The chairman and the managing director shall receive such salary and allowances as may be determined by the Central Government.

(4) Anominated director shall hold office during the pleasure of the authority nominating him.

(5) The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(6) The chairman or, if for any reason he is unable to attend a meeting of the Board, the managing director or, in the event of both

the chairman and the managing director being unable to attend a meeting, any other director nominated by the chairman in this behalf and in the absence of such nomination any director elected by the directors present from among themselves, shall preside at the meeting.

(7) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the chairman, or in his absence, the managing director, or in the absence of both the chairman and the managing director, the person presiding, shall have a second or casting vote.

(8) Save as provided in sub-section (7), every director of the Board shall have one vote.".

Insertion of new section 6A.

8. In the Development Bank Act, after section 6, the following section shall be inserted, namely:—

Financial Institution

"6A. Each of the institutions specified in this section, and no other institution, shall be regarded, for the purposes of this Chapter, as a financial institution, namely:—

(i) the Industrial Credit and Investment Corporation of India Limited, formed and registered under the Indian Companies Act, 1913;

7 of 1913.

(ii) the Industrial Finance Corporation of India, established under section 3 of the Industrial Finance Corporation Act, 1948;

15 of 1948.

(iii) the Industrial Reconstruction Corporation of India Limited, formed and registered under the Companies Act, 1956;

1 of 1956.

(iv) the Life Insurance Corporation of India, established under section 3 of the Life Insurance Corporation Act, 1956;

31 of 1956.

(v) the Unit Trust; and

(vi) such other institution as the Central Government may, by notification in the Official Gazette, specify in this behalf.".

Amendment of section 7.

9. In section 7 of the Development Bank Act, for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The Board shall constitute an Executive Committee consisting of—

(a) the chairman;

(b) the managing director;

(c) the director nominated by the Reserve Bank under clause (b) of sub-section (1) of section 6;

(d) eight of the directors nominated by the Central Government of whom—

(i) two shall be directors nominated under sub-clause (i) of clause (c) of sub-section (1) of section 6; and

(*ii*) six shall be directors nominated under sub-clause (*ii*) or sub-clause (*v*) of clause (*c*) of sub-section (*1*) of section 6.".

Amendment of section 8.

10. In section 8 of the Development Bank Act, for the proviso, the following proviso shall be substituted, namely:—

"Provided that no fees shall be payable to the chairman, if he is appointed whole-time, or to the managing director or to any other director or member who is an official of the Government, or to a Deputy Governor of the Reserve Bank or to any official of the Development Bank.".

Amendment of section 9.

11. In section 9 of the Development Bank Act, in sub-section (*1*),—

(*a*) for the words "The Development Bank may", the words "The Development Bank shall function as the principal financial institution for co-ordinating the working of institutions engaged in financing, promoting or developing industry and for assisting the development of such institutions in such manner as it may deem appropriate and may" shall be substituted;

(*b*) in clause (*a*), the brakcets and words "(including concerns engaged or to be engaged in the development of any contiguous area of land as an industrial estate)", wherever they occur, shall be omitted;

(*c*) in clause (*ka*), in sub-clause (*ii*), for the words "on the recommendation of", the words "in consultation with" shall be substituted;

(*d*) in clause (*m*), the words ", on the recommendation of the Reserve Bank," shall be omitted.

Amendment of section 16.

12. In section 16 of the Development Bank Act, after sub-section (*1*), the following sub-section shall be inserted, namely:—

"(*1A*) Where the Development Bank considers it necessary or desirable so to do, it may, subject to the provisions of sub-sections (*2*) and (*3*), disburse or spend from the Development Assistance Fund any amount for one or more of the purposes specified in clause (*l*) or clause (*m*) of sub-section (*1*) of section 9.".

Amendment of section 18.

13. In section 18 of the Development Bank Act,—

(*a*) in sub-section (*3*), for the words "Reserve Bank", the words "Central Government" shall be substituted;

(*b*) in sub-section (*5*),—

(*i*) the words "and the Reserve Bank" shall be omitted;

(*ii*) for the words "the Development Bank shall cause to be published in the Official Gazette copies of the said balance-sheet, accounts and reports", the words "the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament" shall be substituted.

Amendment of section 22.

14. In section 22 of the Development Bank Act, in sub-section (2), for the words "Reserve Bank", the words "Central Government" shall be substituted.

Amendment of section 23.

15. In section 23 of the Development Bank Act,—

(*a*) for the words "Reserve Bank", wherever they occur, the words "Central Government" shall be substituted;

(*b*) in sub-section (5), for the words "the Development Bank shall cause to be published in the Official Gazette copies of the said balance-sheet, accounts and reports", the words "the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament' shall be substituted.

Amendment of section 26.

16. In section 26 of the Development Bank Act, after sub-section (2), the following sub-sections shall be inserted, namely:—

"(3) Every member of the staff—

(*a*) whose services are being, immediately before the appointed day, utilised by the Development Bank under sub-section (2), or

(*b*) whose services, having been made available to the Development Bank, stand immediately before the appointed day, deputed by that Bank to any other organisation,

shall, on and from the appointed day, be deemed to be appointed by the Development Bank under sub-section (1) on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the appointed day:

Provided that every member of the staff aforesaid other than those recruited specifically for utilisation in the Development Bank, may, before the expiry of a period of eighteen months from the appointed day, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of thirty months from the appointed day, take back such member of the staff and on such member being taken back by the Reserve Bank, he shall become a member of the staff of the Reserve Bank and shall cease to be a member of the staff of the Development Bank.

(4) If on the appointed day or at any time thereafter any of the functions of the Reserve Bank is transferred to the Development Bank, it shall be lawful for the Development Bank to appoint, with the previous approval of the Reserve Bank, such of the members of the staff of the Reserve Bank whose services were, immediately before the transfer aforesaid, being utilised by the Reserve Bank in connection with any of the said functions, and every member of the staff so appointed shall be released by the Reserve Bank and be deemed to be appointed by the Development Bank under sub-section (1) on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the date of his appointment:

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the appointed day, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of thirty months from the appointed day, take back such member of the staff and on such member being taken back by the Reserve Bank he shall become a member of the staff of the Reserve Bank and shall cease to be a member of the staff of the Development Bank.

(5) Notwithstanding anything contained elsewhere in this Act or in any other law or in any contract, for the time being in force, for a temporary period, not being a period exceeding eighteen months from the appointed day or the date notified under section 4A of the Unit Trust of India Act, 1963, whichever is earlier, if the Reserve Bank in consultation with the Development Bank or the Unit Trust considers it necessary, in the interest of any of the said institutions to promote any member of the staff of any of the said institutions to a post in either of the other two institutions, it shall be lawful, for the Reserve Bank to transfer on promotion any such member of staff to that other institution and on such transfer each such member of the staff shall be deemed to be a member of the staff of the other institution to which he is so transferred and shall be entitled to the same salary, emoluments and other conditions of service to which he was entitled immediately before the date of such transfer, including benefits, if any, arising directly out of such promotion: 52 of 1963.

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the appointed day or the date notified under section 4A of the Unit Trust of India Act, 1963, whichever is earlier, elect to go back to the institution from which he was so transferred by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, that institution shall, before the expiration of a period of thirty months from the appointed day or the date notified under section 4A of the Unit Trust of India Act, 1963, whichever is earlier, take back such member of the staff and on such member being taken back by that institution, he shall become a member of its staff and shall cease to be a member of the staff of the institution to which he was earlier transferred. 52 of 1963.

(6) Notwithstanding anything contained in any other law or in any agreement, for the time being in force, no member of the staff shall be entitled to claim any compensation for, or in relation to any matter concerning, his transfer, appointment, or as the case may be, return, under sub-sections (3) to (5) and no claim in respect thereof shall be entertained by any court, tribunal or other authority.".

Amendment of section 29

17. In section 29 of the Development Bank Act, after sub-section (1), the following sub-section shall be inserted, namely:—

'(1A) The Development Bank may, for the purpose of the efficient discharge of its functions under this Act, collect from or furnish to the Central Government, the State Bank, any subsidiary bank, nationalised bank or other scheduled bank, State Co-operative

Bank, State Financial Corporation or such other financial institution, as may be notified by the Central Government in this behalf, credit information or other information as it may consider useful for the purpose, in such manner and at such times, as it may think fit.

Explanation.—For the purpose of this sub-section, the expression "credit information" shall have the same meaning as in clause (*c*) of section 45A of the Reserve Bank of India Act, 1934, subject to the modification that "banking company" referred to therein shall mean the State Bank, any subsidiary bank, nationalised bank or other scheduled bank, State Co-operative Bank, State Financial Corporation or other financial institution as aforesaid.'.

2 of 1934.

Amendment of section 37.

18. In section 37 of the Development Bank Act,—

(*a*) in sub-section (*1*), for the words "Reserve Bank", the words "Central Government" shall be substituted;

(*b*) in sub-section (*2*), in clause (*b*), the words "constitution and" shall be omitted.

Insertion of new section 39.

19. After section 38 of the Development Bank Act, the following section shall be inserted, namely:—

Power to remove difficulty.

"39. If any difficulty arises in giving effect to the provisions of this Act, as amended by the Public Financial Institutions Laws (Amendment) Act, 1975, the Central Government may, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiration of three years from the date of commencement of the said Amendment Act.".

CHAPTER III

AMENDMENT TO THE RESERVE BANK OF INDIA ACT, 1934

2 of 1934.

Amendment of section 54AA.

20. In the Reserve Bank of India Act, 1934, in section 54AA, for sub-section (*1*), the following sub-section shall be substituted, namely:—

"(*1*) The Bank may, notwithstanding anything contained in any law, or in any agreement, for the time being in force, depute any member of its staff for such period as it may think fit,—

(*a*) to any institution which is wholly or substantially owned by the Bank;

(*b*) to the Development Bank, so, however, that no such deputation shall continue after the expiration of thirty months from the commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975;

(*c*) to the Unit Trust, so, however, that no such deputation shall continue after the expiration of thirty months from the date notified by the Central Government under sub-section (*1*) of section 4A of the Unit Trust of India Act, 1963,

52 of 1963.

and thereupon the person so deputed shall, during the period of his deputation, render such service to the institution to which he is so deputed as that institution may require.".

CHAPTER IV

EXTENSION OF THE INDUSTRIAL FINANCE CORPORATION ACT, 1948 TO KOHIMA AND MOKOKCHUNG DISTRICTS

Extension of Act 15 of 1948 to Kohima and Mokokchung districts in Nagaland.

21. The Industrial Finance Corporation Act, 1948, shall, as from the commencement of the Public Financial Institutions Laws (Amendment) Act, 1975, extend to the Kohima and Mokokchung districts in the State of Nagaland and shall come into force therein on such date as the Central Government may, by notification in the Official Gazette, appoint.

CHAPTER V

AMENDMENT TO THE INDUSTRIAL FINANCE CORPORATION ACT, 1948

Amendment of section 10A.

22. In section 10A of the Industrial Finance Corporation Act, 1948 (hereinafter in this Chapter referred to as the Industrial Finance Corporation Act), in sub-section (*2*), for the words "three years", the words "four years" shall be substituted. 15 of 1948.

Amendment of section 42.

23. In section 42 of the Industrial Finance Corporation Act,—

(*i*) in sub-section (*1*), for "The Central Government may, in consultation with the Development Bank", substitute "the Central Government may, in consultation with the Development Bank and by notification in the Official Gazette,";

(*ii*) in sub-section (*2*), for "two successive sessions, and, if, before the expiry of the session in which it is so laid or the session immediately following," substitute "two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid.".

CHAPTER VI

AMENDMENTS TO THE STATE FINANCIAL CORPORATIONS ACT, 1951

Amendment of section 3A.

24. In the State Financial Corporations Act, 1951 (hereinafter in this Chapter referred to as the State Financial Corporations Act), in sub-section (*1*) of section 3A, for the words "Reserve Bank", the words "Development Bank" shall be substituted. 63 of 1951.

Amendment of section 4.

25. In section 4 of the State Financial Corporations Act, in sub-section (1), for the words "five crores", the words "ten crores" shall be substituted.

Amendment of section 4A.

26. In section 4A of the State Financial Corporations Act,—

(*a*) for sub-section (*1*), the following sub-section shall be substituted, namely:—

"(*1*) The State Government may, in consultation with the Development Bank, specify from time to time such part of the unissued capital of the Financial Corporation as shall be allocated for the issue of a special class of shares.";

(*b*) in sub-sections (*2*) and (*3*), for the words "Reserve Bank", wherever they occur, the words "Development Bank" shall be substituted.

27. After section 4A of the State Financial Corporations Act, the following sections shall be inserted, namely:— Insertion of new sections 4B and 4C.

"4B. On such date as the Central Government may, by notification in the Official Gazette, specify (hereinafter referred to as the specified date), all the shares of every Financial Corporation subscribed by the Reserve Bank as on the date immediately preceding the specified date, shall, stand transferred to, and vested in, the Development Bank. Transfer of share capital to Development Bank.

4C. The Reserve Bank shall be given by the Development Bank, in cash, for the transfer to, and vesting in, the Development Bank of the shares of every Financial Corporation which have been subscribed by the Reserve Bank, an amount equal to the face value of the shares of the Financial Corporation so subscribed.". Payment of amount.

28. In section 5 of the State Financial Corporations Act, after the words "the Reserve Bank", the words "the Development Bank" shall be inserted. Amendment of section 5.

29. In section 7 of the State Financial Corporations Act,— Amendment of section 7.

(*a*) in sub-section (*1*), after the words "in consultation with", the words "the Development Bank and" shall be inserted;

(*b*) after sub-section (*2*), the following sub-section shall be inserted, namely:—

"(*2A*) No money shall be borrowed by the Financial Corporation from the Reserve Bank under sub-section (*2*), except with the previous approval of the Development Bank.";

(*c*) in sub-section (*3*), after the words "in consultation with", the words "the Development Bank and" shall be inserted;

(*d*) in sub-section (*4*), for the words "Reserve Bank", the words "Development Bank" shall be substituted.

30. In section 8 of the State Financial Corporations Act, in sub-section (*1*), for the words "the State Government and the Reserve Bank", the words "the State Government, the Development Bank and the Reserve Bank" shall be substituted. Amendment of section 8.

31. In section 10 of the State Financial Corporations Act,— Amendment of section 10.

(*a*) in clause (*a*),—

(*i*) for the word "three", the word "four" shall be substituted;

(*ii*) after the words "by the State Government", the words "of whom one director shall be a person who has special knowledge of or experience in small-scale industries" shall be inserted;

(*iii*) after the proviso, the following further proviso shall be inserted, namely:—

"Provided further that in the case of a Joint Financial Corporation, the director, who shall have special knowledge of, or experience in, small-scale industries, shall be nominated by that participating State which, according to the terms of agreement between the participating States, is entitled to make such nomination.";

(*b*) in clause (*c*), for the words "one director", the words "two directors" shall be substituted;

(*c*) in clause (*f*), for the words "Reserve Bank", the words "Development Bank" shall be substituted.

Amendment of section 17

32. In section 17 of the State Financial Corporations Act, in sub-section (*1*), in the proviso to clause (*a*), after the words "State Government", the words "or the Development Bank" shall be inserted.

Amendment of section 18.

33. In section 18 of the State Financial Corporations Act, in sub-section (*1*), in clause (*a*),—

(*a*) for the words "two directors elected by the nominated directors, one from among the directors nominated by the State Government, and one", the words "four directors elected by the nominated directors, of whom two shall be from among the directors nominated by the State Government and two" shall be substituted;

(*b*) in the proviso, for the words "one director elected", the words "two directors elected" shall be substituted.

Amendment of section 23.

34. In section 23 of the State Financial Corporations Act, in the proviso, for the words "Reserve Bank", the words "Development Bank" shall be substituted.

Amendment of section 25.

35. In section 25 of the State Financial Corporations Act, in sub-section (*1*), in clause (*f*), and in sub-section (*3*), for the words "Reserve Bank", wherever they occur, the words "Development Bank" shall be substituted.

Amendment of section 35A.

36. In section 35A of the State Financial Corporations Act, in sub-section (*1*), after the proviso, the following further proviso shall be inserted, namely:—

'Provided further that after the specified date this sub-section shall have effect as if for the words "the State Government, the Reserve Bank and the Development Bank", the words "the State Government and the Development Bank" have been substituted except as regards all dividends accruing in respect of any completed accounting period prior to the specified date.'.

Amendment of sections 37A, 39, 46A and 48.

37. In the State Financial Corporations Act, in sections 37A, 39, 46A and 48, for the words "Reserve Bank", wherever they occur, the words "Development Bank" shall be substituted.

Amendment of section 38.

38. In the State Financial Corporations Act, in section 38,—

(*a*) for the words "to the State Government and to the Reserve Bank", wherever they occur, the words "to the State Government, the Development Bank and the Reserve Bank" shall be substituted;

(*b*) in sub-section (*2*) as so amended, for the words "the State Government or the Reserve Bank", the words "the State Government or the Development Bank or the Reserve Bank" shall be substituted.

Insertion of new section 49.

39. After section 48 of the State Financial Corporations Act, the following section shall be inserted, namely:—

Power to remove difficulty.

"49. If any difficulty arises in giving effect to the provisions of this Act, as amended by the Public Financial Institutions Laws (Amendment) Act, 1975, the Central Government may, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiration of three years from the commencement of the said Amendment Act.".

CHAPTER VII

AMENDMENTS TO THE LIFE INSURANCE CORPORATION ACT, 1956

31 of 1956.

Amendment of section 4.

40. In the Life Insurance Corporation Act, 1956 (hereinafter referred to as the Life Insurance Act), in section 4, in sub-section (*1*), for the word "fifteen", the word "sixteen" shall be substituted.

Insertion of new section 6A.

41. After section 6 of the Life Insurance Act, the following section shall be inserted, namely:—

Power to impose conditions, etc.

"6A. (*1*) In entering into any arrangement, under section 6, with any concern, the Corporation may impose such conditions as it may think necessary or expedient for protecting the interest of the Corporation and for securing that the accommodation granted by it is put to the best use by the concern.

(*2*) Where any arrangement entered into by the Corporation under section 6 with any concern provides for the appointment by the Corporation of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share qualification, age limit, number of director-ships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Corporation in pursuance of the arrangement as aforesaid.

1 of 1956.

(*3*) Any director appointed as aforesaid shall—

(*a*) hold office during the pleasure of the Corporation and may be removed or substituted by any person by order in writing by the Corporation;

(b) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.".

Amendment of section 19.

42. In section 19 of the Life Insurance Act, in sub-section (2), for the words "seven members of whom not less than three", the words "eight members of whom not less than four" shall be substituted.

Amendment of section 48.

43. In section 48 of the Life Insurance Act, for sub-section (3), the following sub-section shall be substituted, namely:—

'(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.'.

CHAPTER VIII

AMENDMENTS TO THE UNIT TRUST OF INDIA ACT, 1963

Amendment of section 2.

44. In section 2 of the Unit Trust of India Act, 1963 (hereinafter referred to as the Unit Trust Act), clause (cc) shall be re-lettered as clause (cb) and before clause (cb) as so re-lettered, the following clause shall be inserted, namely:— 52 of 1963.

'(ca) "Development Bank" means the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964;'. 18 of 1964.

Amendment of section 3.

45. In section 3 of the Unit Trust Act, in sub-section (2), for the words "Reserve Bank", the words "Development Bank" shall be substituted.

Insertion of new sections 4A and 4B.

Transfer of initial capital to Development Bank.

46. After section 4 of the Unit Trust Act, the following sections shall be inserted, namely:—

"4A. On such date as the Central Government may, by notification in the Official Gazette, appoint (hereinafter referred to as the notified date), all the contributions made by the Reserve Bank to the initial capital of the Trust, as on the date immediately preceding the notified date, shall, stand transferred to, and vested in, the Development Bank.

Payment of amount.

4B. The Reserve Bank shall be given by the Development Bank, in cash, for the transfer to, and vesting in, the Development Bank of the contributions made to the initial capital of the Trust by the Reserve Bank, an amount equal to the contributions to the initial capital so transferred.".

Amendment of section 10.

47. In section 10 of the Unit Trust Act,—

(*a*) in clause (*a*), for the words "Reserve Bank", the words "Central Government in consultation with the Development Bank" shall be substituted;

(*b*) after clause (*a*), the following clause shall be inserted, namely:—

"(*aa*) one trustee to be nominated by the Reserve Bank;";

(*c*) in clauses (*b*) and (*f*), for the words "Reserve Bank" wherever they occur, the words "Development Bank" shall be substituted.

Insertion of new section 10A.

48. After section 10 of the Unit Trust Act, the following section shall be inserted, namely:—

Transitional provision for continuance of Chairman and certain trustees of the Board.

"10A. Every person holding office, immediately before the notified date, as Chairman under clause (*a*) of section 10 or as trustee, not being an officer of the Reserve Bank, nominated under clause (*b*) of that section or as executive trustee appointed under clause (*f*) thereof shall, notwithstanding the amendment of this Act by the Public Financial Institutions Laws (Amendment) Act, 1975, continue, subject to the same conditions, to hold office for the unexpired portion of his term.".

Amendment of section 11.

49. In section 11 of the Unit Trust Act, in sub-sections (*1*) and (*2*), after the words "Reserve Bank" wherever they occur, the words "or the Development Bank" shall be inserted and in sub-section (*1*) as so amended, before the words, brackets and letter "under clause (*b*)", the words, brackets and letters "under clause (*aa*) or" shall be inserted.

Amendment of section 12.

50. In section 12 of the Unit Trust Act, in clause (*d*), for the words "Reserve Bank", the words "Development Bank" shall be substituted.

Amendment of section 13.

51. In section 13 of the Unit Trust Act, after the words "of the Reserve Bank" at the two places where they occur, the words "or of the Development Bank" shall be inserted.

Amendment of sections 14, 15, 18, 25, 27, 30, 41 and 43.

52. In the Unit Trust Act, in sections 14, 15, 18, 25, 27, 30, 41 and sub-section (*1*) of section 43, for the words "Reserve Bank" wherever they occur, the words "Development Bank" shall be substituted.

Insertion of new section 19A.

53. After section 19 of the Unit Trust Act, the following section shall be inserted, namely:—

Power to impose conditions, etc.

"19A. (*1*) In entering into any arrangement, under section 19, with any concern, the Trust may impose such conditions as it may think necessary or expedient for protecting the interest of the Trust and for securing that the accommodation granted by it is put to the best use by the industrial concern.

(*2*) Where any arrangement entered into by the Trust under section 19 with any concern provides for the appointment by the Trust of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share qualification, age limit, number of director-ships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Trust in pursuance of the arrangement as aforesaid. 1 of 1956.

(*3*) Any director appointed as aforesaid shall,—

(*a*) hold office during the pleasure of the Trust and may be removed or substituted by any person by order in writing by the Trust;

(*b*) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(*c*) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.".

Amendment of section 20A.

54. In section 20A of the Unit Trust Act,—

(*a*) for the words "The Reserve Bank may", the words "The Reserve Bank or the Development Bank may" shall be substituted;

(*b*) for the words "payable to the Reserve Bank", the words "payable to the Reserve Bank or, as the case may be, the Development Bank" shall be substituted.

Substitution of new section for section 29.

55. In the Unit Trust Act, for section 29, the following section shall be substituted, namely:—

Furnishing of information.

"29. The Reserve Bank or the Development Bank may, from time to time, call upon the Trust to furnish such information as either of the said banks may require, and the Trust shall be bound to furnish the same.".

Amendment of section 31.

56. In section 31 of the Unit Trust Act, after sub-section (2), the following sub-sections shall be inserted, namely: —

"(3) Every member of the staff of the Reserve Bank,—

(a) whose services are being, immediately before the notified date, utilised by the Trust under sub-section (2), or

(b) whose services, having been made available to the Trust, stand, immediately before the notified date, deputed by the Trust to any other organisation,

shall, on and from the notified date, be deemed to be appointed by the Trust under sub-section (1) on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the notified date:

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the notified date, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of thirty months from the notified date, take back such member of the staff and on such member being taken back by the Reserve Bank, he shall become a member of the staff of the Reserve Bank and shall cease to be a member of the staff of the Trust.

(4) Notwithstanding anything contained elsewhere in this Act or in any other law or in any contract, for the time being in force, for a temporary period, not being a period exceeding eighteen months from the notified date or the date of commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975, whichever is earlier, if the Reserve Bank, in consultation with the Trust or the Development Bank, considers it necessary in the interests of the said institutions, to promote any member of the staff of any of the said institutions to a post in either of the other two institutions, it shall be lawful for the Reserve Bank to transfer on promotion any such member of the staff to that other institution, and on such transfer each such member of the staff shall be deemed to be a member of the staff of the institution to which he is so transferred and shall be entitled to the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the date of such transfer including benefits, if any, arising directly out of such promotion:

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the notified date or the date of commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975, whichever is earlier, elect to go back to the institution from which he was so transferred by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, that institution shall, before the expiration of a period of thirty months from

the notified date or the date of commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975, whichever is earlier, take back such member of the staff and on such member being taken back by that institution, he shall become a member of its staff and shall cease to be a member of the staff of the institution to which he was earlier transferred.

(5) Notwithstanding anything contained in any other law or in any agreement, for the time being in force, no member of the staff shall be entitled to claim any compensation for, or in relation to, any matter concerning, his transfer, appointment or, as the case may be, return, under sub-sections (3) and (4), and no claim in respect thereof, shall be entertained by any court, tribunal or other authority.".

Amendment of section 37.

57. In section 37 of the Unit Trust Act, for the words "the Reserve Bank" at the two places where they occur, the words "the Reserve Bank or the Development Bank" shall be substituted.

Insertion of new section 45.

58. After section 44 of the Unit Trust Act, the following section shall be inserted, namely:—

Power to remove difficulty.

"45. If any difficulty arises in giving effect to the provisions of this Act, as amended by the Public Financial Institutions Laws (Amendment) Act, 1975, the Central Government may, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiration of three years from the date of commencement of the said Amendment Act.".

S. L. SHAKDHER,
Secretary-General.

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